

Summary of Final Evaluator Guidance on GPY4 Net-to-Gross Values for Peoples Gas and North Shore Gas, November 19, 2014**(All NTG values and rationale apply to PGL and NSG except where noted)**

Sector	Program/Path	EM&V Final Guidance GPY4 NTG	Consensus / Non-Consensus	Rationale for Evaluator Final Guidance Value and Discussion
Residential	Home Energy Rebate Peoples Gas (PGL)	0.82	Consensus	28% FR (EM&V GPY1 Research); 10% SO (EM&V GPY2 Research)
Residential	Home Energy Rebate North Shore Gas (NSG)	0.80	Consensus	33% FR (EM&V GPY1 Research); 13% SO (EM&V GPY2 Research)
Residential	Home Energy Jumpstart - Single Family Direct Install	0.96	Consensus	EM&V GPY2 Research (FR=8%, SO=4%)
Residential	Multi-Family (MF) Comprehensive		Consensus	Notes from a conference call discussion on October 8, 2014, documenting responses from ICC Staff (Jennifer Morris), Evaluation (Kevin Grabner, Rob Neumann, Randy Gunn, Navigant), and Peoples Gas and North Shore Gas and their program administrator (Pat Michalkiewicz, Koby Bailey, Sue Nathan, Paige Knutsen). Sue Nathan discussed MF and what had caused some of the confusion at the June 24, 2014 SAG meeting to discuss GPY4 NTG values, especially concerning the “residential” portion of MF and the “commercial” portion of MF. After the SAG meeting Kevin Grabner and Paige Knutsen resolved the service class implications and sent revised NTG guidance to the SAG on July 3, 2014. Sue Nathan also reviewed Navigant’s efforts to get consensus on GP4 NTG values: Navigant sent an e-mail July 3 requesting feedback at the July 8 SAG meeting, and followed up on August 15 with an email to the SAG requesting feedback on recommended GPY4 NTG values by August 22, 2014, but no objections were raised by the SAG as of August 22, 2014. Considering the fact that no feedback was received, PGL/NSG considers this to be a closed issue. Jennifer Morris stated she agreed it was a closed issue, but was interested in understanding the proposal and program better in order to determine whether this should be presented as consensus or not for the NTG compliance filing, but there is no expectation or any suggestion that the evaluator would revise their recommendation from July 3, 2014 on the NTG to use for GPY4 for this program given that no objections were received from the SAG by the date specified (August 22, 2014). Jennifer asked questions about the MF program and the different tracks and how it differed from PY1, PY2, PY3 and PY4. Paige Knutsen answered Jennifer’s questions to Jennifer’s

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				satisfaction, including that the MF prescriptive program track has the same program design in PY4 as it did in PY3 when it was tracked as part of the C&I Prescriptive Program. Given the new way the various MF program tracks are now being tracked for Plan 2, it might be a good candidate for NTG research. Kevin Grabner of Navigant answered questions on the NTG ratios used, and the reasons for weighting NTG ratios by rate class, including that the MF buildings have some floors with residences and other floor(s) with retail (e.g., 1st floor of high rises in central Chicago). Sue Nathan mentioned that PGL and NSG are following the order in the most recent decision and in the future, and would be happy to meet and discuss concerns at an earlier stage in the process. Navigant will consider as final the GPY4 NTG Ratios revised and submitted to SAG on July 3, 2014 and routed again on August 15, 2014 since no feedback was provided by stakeholders on either routing.
Residential	Multi-Family Custom	0.68	Consensus	Based on GPY4 C&I Custom NTG value
Residential	Multi-Family Direct Install	0.90	Consensus	EM&V GPY1 Research (FR=10%, SO=0%)
Residential	Multi-Family Prescriptive Peoples Gas	0.84	Non-Consensus	Based on a weighting of the C&I Prescriptive GPY4 NTG value (0.58) and Multifamily DI NTG (0.90) to reflect decision-makers, measure types, and decision scenario indicated by rate classification. Compliance filing indicates incentives will be offered to building owners. Data from Franklin on GPY3 multifamily prescriptive measures installed shows they are consistent with C&I Prescriptive type measures. Rate classification of GPY3 multifamily prescriptive savings shows for Peoples Gas: 18% SC2 C&I (mixed use multifamily property), <1% SC1 residential (1 or 2 units on single meter), 82% SC2 residential (master meter 3 units or more). Navigant weighted the NTG ratio 18% to C&I Prescriptive value of 0.58, and 82% to the multifamily direct install value of 0.90, resulting in 0.84. The multifamily DI NTG value was based on data collected from building owners/property managers making decisions for the residential units represented by SC1 and SC2 residential rate groups, a similar scenario to the multifamily prescriptive measures. <u>Staff Position:</u> Staff opposes deeming a 0.84 NTG for PY4 as Staff does not believe it is reflective of the most likely NTG that would result from PY4, and believes

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				relying on that value overstates the true impacts from the program. Evaluator's Initial NTG Recommendation of 0.77 involved taking a weighted average of the residential Prescriptive NTG 0.82 and the C&I Prescriptive NTG 0.58 based on the measure install split in the filed Plan. Since parties not open to applying NTG based on actual installation locations during PY4 (as suggested by Staff initially), at NTG meeting, Staff suggested the weighting of the NTG should be done based on the actual measure location split from PY3. While evaluator did use PY3 split as suggested, instead of applying the residential Prescriptive NTG of 0.80, Evaluator chose to apply the Multi-family Direct Install NTG of 0.90. Given the MF prescriptive program track has the same program design in PY4 as it did in PY3 when it was tracked as part of the C&I Prescriptive Program, and NTG results are available from the C&I Prescriptive Program, Staff believes it is more appropriate to use the C&I Prescriptive Program NTG of 0.58 for the Multi-Family Prescriptive Program, consistent with how the Multi-Family Custom Program is using the Business Custom Rebate Program NTG value.
Residential	Multi-Family Prescriptive North Shore Gas	0.90	Non-Consensus	Based on a weighting of the C&I Prescriptive GPY4 NTG value (0.58) and Multifamily DI NTG (0.90) to reflect decision-makers, measure types, and decision scenario indicated by rate classification. Compliance filing indicates incentives will be offered to building owners. Data from Franklin on GPY3 multifamily prescriptive measures installed shows they are consistent with C&I Prescriptive type measures. Rate classification of GPY3 multifamily prescriptive savings shows for North Shore Gas: 0% SC2 C&I (mixed use multifamily property), 0% SC1 residential (1 or 2 units on single meter), 100% SC2 residential (master meter 3 units or more). Navigant weighted the NTG ratio 0% to C&I Prescriptive value of 0.58, and 100% to the multifamily direct install value of 0.90, resulting in 0.90. The multifamily DI NTG value was based on data collected from building owners/property managers making decisions for the residential units represented by SC1 and SC2 residential rate groups, a similar scenario to the multifamily prescriptive measures. <u>Staff Position:</u> Staff opposes deeming a 0.90 NTG for PY4 as Staff does not believe it is reflective of the most likely NTG that would result from PY4, and believes relying on that value overstates the true impacts from the program. Evaluator's

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				Initial NTG Recommendation of 0.76 involved taking a weighted average of the residential Prescriptive NTG 0.80 and the C&I Prescriptive NTG 0.58 based on the measure install split in the filed Plan. Since parties not open to applying NTG based on actual installation locations during PY4 (as suggested by Staff initially), at NTG meeting, Staff suggested the weighting of the NTG should be done based on the actual measure location split from PY3. While evaluator did use PY3 split as suggested, instead of applying the residential Prescriptive NTG of 0.82 or the C&I Prescriptive NTG of 0.58, Evaluator chose to apply the Multi-family Direct Install NTG of 0.90. Given the MF prescriptive program track has the same program design in PY4 as it did in PY3 when it was tracked as part of the C&I Prescriptive Program, and NTG results are available from the C&I Prescriptive Program, Staff believes it is more appropriate to use the C&I Prescriptive Program NTG of 0.58 for the Multi-Family Prescriptive Program, consistent with how the Multi-Family Custom Program is using the Business Custom Rebate Program NTG value.
Residential	Multifamily Trade Ally Install	0.99	Non-Consensus	The Multi-Family GPY4 NTG values were consensus however the source of this NTG value (EM&V GPY1 Small Business Energy Savings Research) was non-consensus. <u>Staff Position:</u> See explanation provided below for Small Business Prescriptive and Direct Install.
Residential	Residential Outreach & Education	0.79	Consensus	The Peoples Gas and North Shore Gas second triennial compliance filing plan indicated program path 2 will be jointly delivered with ComEd, similar to the Nicor Gas Elementary Energy Education (EEE) program. The NTG value for the Nicor Gas portion of the EEE program for GPY4-6 is 0.79, as shown in the Nicor Gas second triennial compliance filing plan.
Residential	Behavioral Energy Savings	NA	Consensus	EM&V billing analysis provides net savings.
Business	C&I Prescriptive	0.58	Consensus	45% FR (Adjusted up from GPY2 EM&V research FR=41% due to expected changes in measure/participant mix), 3% SO (Adjusted down from GPY2 EM&V research SO=4% because some previous SO now available in Gas Optimization)

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Business	C&I Direct Install	0.81	Consensus	Participating customer reported free-ridership from GPY1 EM&V research on Small Business Energy Savings direct install component.
Business	Business Custom Rebate	0.68	Consensus	Year-to Year results vary depending on project mix. ComEd, Nicor Gas, and Ameren Custom program NTG values have varied from 0.53 to 0.77. Value of 0.68 is a reasonable mid-range estimate, and matches GPY1 EM&V research for PGL/NSG.
Business	Business New Construction	0.52	Consensus	SAG consensus for Nicor Gas Business New Construction for GPY3
Business	Retro-Commissioning	1.02	Consensus	EM&V GPY1 research (FR=9%, SO=11%)
Business	Gas Optimization Services	1.02	Consensus	Based on GPY4 Retro-Commissioning NTG value
Business	Small Business Custom	0.68	Consensus	Based on GPY4 C&I Custom Rebate NTG value
Business	Small Business Prescriptive	0.99	Non-Consensus	<p>EM&V GPY1 research on Small Business Energy Savings (Trade Ally estimate of FR=2%, Business participant SO=1%).</p> <p>Notes from a conference call discussion on October 8, 2014, documenting responses from ICC Staff (Jennifer Morris), Evaluation (Kevin Grabner, Rob Neumann, Randy Gunn, Navigant), and Peoples Gas and North Shore Gas and their program administrator (Pat Michalkiewicz, Koby Bailey, Sue Nathan, Paige Knutsen). On the October 8 call, Jennifer Morris stated her concerns about using only trade ally feedback for free-ridership estimates (weighting 100%) in the NTGR and ignoring participant free-ridership estimates (weighting 0%), while at the same time valuing participant spillover estimates at 100%. She explained her compromise proposal that averages the trade ally and participant NTG ratios resulting in a NTG of 0.91. Kevin Grabner explained what Navigant had done, and the rationale. The NTG is estimated based on trade ally survey results. Navigant thinks this program is different from other C&I programs in two key respects: the higher incentives offered, and considerable anecdotal evidence that vendors didn't previously target such customers for efficiency retrofits, but mainly sell</p>
Business	Small Business Direct Install	0.99	Non-Consensus	
Business	Small Business Trade Ally Install	0.99	Non-Consensus	

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				<p>them products when the old ones fail. Given that customers probably don't understand what products they'd be offered without the program, we think that trade allies are the best source of NTG estimates. Navigant stated that nearly all respondents reported a very high level of program influence and that business owners expressed indefinite intentions to act – raising some concerns with the weighting algorithm used for partial free-ridership scores when estimating the participant free-ridership estimates in small business owners. Kevin also stated that what Jennifer was suggesting would definitely be considered in the next evaluation and that the intention going forward is to collect information from participants and trade allies and assess the reliability of both for future NTG assessments. No date has been set for when this program will have the NTG evaluated again (the only NTG available is from GPY1). Kevin also mentioned that the task force on making NTG evaluation methodology consistent throughout the State was also looking at this issue. Jennifer stated she felt this was still a non-consensus item for GPY4 and it should be identified as such in the compliance filing. Jennifer acknowledged that participant survey instruments and NTG algorithms for this program may need to be revised before the next NTG survey is scheduled to help ensure meaningful results are produced that all parties are comfortable relying upon. There seemed to be general agreement that there is no need to wait until a month or even a week before the NTG survey needs to be fielded in order to make efforts to revise the participant survey instruments and algorithms for this program, especially if it results in less disputes among parties, and the evaluators have time to do it given their other evaluation commitments during the year.</p> <p><u>Staff Position:</u> Staff opposes deeming a 0.99 NTG for PY4 as Staff does not believe it is reflective of the most likely NTG that would result from PY4, and believes relying on that value overstates the true impacts from the program. The 0.99 NTG recommended by the Evaluator is based on a portion of the evaluation results produced for PY1. Adopting the 2% free-ridership value based on trade ally input alone and ignoring the participating small business customers' responses showing 18% free-ridership in this program is not reasonable. Staff's compromise proposal</p>

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				<p>that averages the trade ally and participating customers' NTG ratios resulting in a NTG of 0.91 is a far more reasonable approach to use in forming the best estimate of the likely NTG to occur for PY4. Evaluator relies on trade allies rather than small business customers to assess NTG for small business customers. Trade allies involved in survey may not be representative of trade allies the small business generally would do business with which draws into question the validity of the trade ally survey results. Trade allies have a vested interest in exaggerating the programs impact on their sales. Indeed, the primary driver of the trade ally NTG estimate is based on a small number of trade allies that installed the vast majority of measures to businesses to which they had not sold energy efficiency products to in the past. Relying on a NTG derived from a very limited # of trade allies' responses (although they may represent a ton of the projects) can produce unstable NTG results over time. If any one of the trade allies would give a poor response, the NTG may drastically shift, thus reliance on this trade ally method alone with limited sample points is not the best approach or even a method that could produce stable and meaningful results over time. While trade allies certainly influence customer decisions, the few questioned trade allies may not know what the customers would have done without the program and whether the customer would have hired a different contractor, other than the interviewed trade ally, to install energy efficiency products without the program. Given the small business customers' estimated free ridership values are 18% for gas saving projects, it seems likely that a portion of these customers might have been considering high efficiency units despite the trade ally thinking it was only because of them and the program. Adopting the 2% free-ridership value based on trade ally input alone and ignoring the participating small business customers' responses showing 18% free-ridership in this program is not appropriate. Staff's compromise proposal that averages the trade ally and participating customers' NTG ratios resulting in a NTG of 0.91 is also consistent with NTG approach used in Ameren PY2 Res Lighting Program evaluation which averaged NTG results produced from two different NTG methodologies. Furthermore, continuing to rely on the trade ally NTG derived from the PY1 evaluation for application to all savings produced during PY4 ignores</p>

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				other market factors that are likely occurring during PY4 (e.g., economy improving, changes to contractor standard offerings) that could have an impact on NTG. Finally, applying the C&I Custom Program NTG to the Custom components of both the Multi-family Custom and Small Business Custom seems inconsistent with the approach used for the Prescriptive components of both the Multi-family and Small Business programs.

Steps Taken to Reach Consensus per NTG Framework

6/11/14 Evaluator distributed Initial NTG recommendation to PGL, NSG, SAG Facilitator, and Staff.

6/16/14 SAG Facilitator distributed Evaluator's Initial NTG recommendation to SAG.

6/24/14 SAG meeting to discuss Evaluator's Initial NTG recommendations.

6/26/14 SAG Facilitator distributed meeting notes from NTG meeting and indicated there is one follow-up item (multi-family) and one non-consensus value (Small Business).

7/3/14 Evaluator distributed revised multi-family NTG recommendation to SAG.

8/15/14 Evaluator sent e-mail to SAG indicating it will assume consensus on revised NTG from 7/3/14 unless hear otherwise by 8/22/14.

9/25/14 Staff sent Evaluator and PGL and NSG e-mail indicating Staff still opposes the Small Business NTG identified as non-consensus by the SAG Facilitator and proposed compromise NTG. Staff requested clarification regarding how the revised multi-family NTG values were developed.

10/1/14 Meeting with Evaluator, Staff, PGL, and NSG to discuss revised multi-family NTG values and non-consensus NTG for Small Business.

Exhibit 2.3: North Shore Gas and Peoples Gas Net-to-Gross Values

11/4/14 Evaluator sent Staff, PGL, and NSG this “Summary of Final Evaluator Guidance on GPY4 Net-to-Gross Values for Peoples Gas and North Shore Gas” to provide the summary of the positions for the non-consensus NTG ratios for Staff review prior to filing to ensure Staff position is accurately characterized.

11/6/14 Staff sent Evaluator, PGL, and NSG a revised summary of final evaluator guidance. Evaluator provided no further edits to Rationale and Discussion on NTG values.

11/19/14 Evaluator sent Staff, PGL, and NSG redline and clean versions of the 11/6/14 Staff-revised summary of evaluator guidance, with an updated timeline.